

LAND & LIBERTY

The Making Of
An Assassin - P.70

WHILE the politicians search for wondrous macro-economic solutions to the global recession, the obvious remedy goes unrecognised.

People have both the ingenuity and access to cash to start up new businesses. Short-term profits would not be large, but they would be creating wealth, earning their own living.

What prevents them from rolling up their sleeves and getting on with the job? For many, the initial obstacle – access to land on which to set up the work-benches – is insuperable.

Yet from New York to Rome, Munich to Tokyo, a great deal of land stands idle. There are 30 square miles of wasteland in the British capital alone!

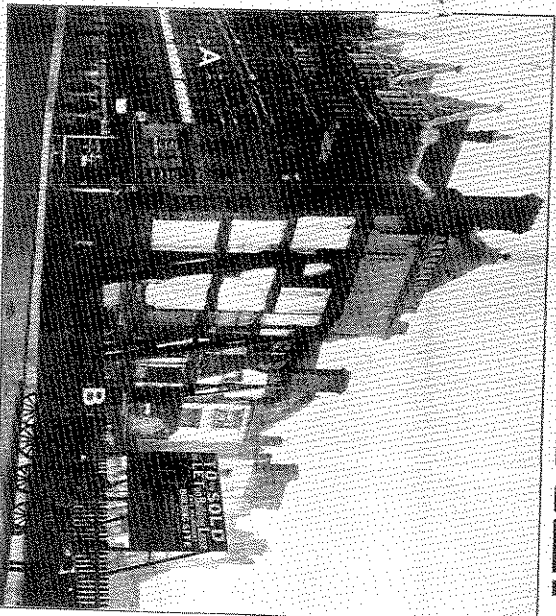
At last, the connection is being made between idle labour and capital, and vacant land. The London region of the 50,000 strong National Federation of Self Employed and Small Businesses is demanding political action.

They point out that "large tracts of unused inner city land represent wasted capital which should, if possible, be put to good use." (See the table on page 67.)

For fallacious reasons, they limit their demands to publicly-owned land: "This reflects our view that it is less acceptable for a public authority, funded from local or general taxation, to hold land vacant than for a private body to do so."

It is not true that "if potentially profitable land is unused, in the case of privately-owned land the immediate sufferer is the

IDLE LAND MEANS IDLE MEN



The modern block of buildings marked "A", consisting of showrooms and warehouses, Aldersgate Street, is rented at £2,677 per annum. The vacant site marked "B", occupying Nos. 4 & 5, Aldersgate Street, is rented at nothing. Block "A" occupies a site of about 10,000 sq. feet and pays £870 in rates. The vacant site "B" extends to 12,700 sq. feet, and pays nothing. It has been vacant for several years.

VOTE PROGRESSIVE

Rate Land Values and Prevent Unemployment.

owner of the land." The owner can recover the lost revenue in the future by selling an asset which is constantly appreciating in value (and the price is inflated even higher, the more that neighbouring land is held vacant!).

It is the rest of us who suffer from the wanton waste of land, not those people who monopolise but do not use the resources of nature.

The association proposes that public authorities should be

- FORCED to sell by public auction land which has been held idle for over ten years;

- FORCED to hand over the remaining land – which would be derelict and expensive to restore – to those who wish to enter the "worksteading" scheme. For a non-returnable fee of £200, people would be allowed to enter a ballot for a plot which would be handed over at no extra cost to the winner (resale within three

Cont. on P.62

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F. HARRISON



FEATURES

- HOW TO ABOLISH THE
INCOME TAX
Fred Harrison 62
- SPECULATION, IDLE LAND
AND A REASON TO MARCH
P. E. Poole 64
- EARTH DAY: 2% ROYALTY
PLAN FOR SHARING
RESOURCES
Mark Sullivan 68
- THE MAKING OF AN ASSASSIN
Fred Harrison 70
- THE VIKING ROOT TO JUSTICE
J. P. Skou 72
- LAND-LOCKED! WHY
AUSTRALIA TURNED TO
LAND VALUE TAXATION
Airlie Worrall 74

REPORTS

- LONDON IS SINKING! SO
WHO IS PAYING?
Bert Brookes 66
- DO RENT CONTROLS CURTAIL
HOUSE BUILDING?
Ian Barron 69
- RADICAL, PRACTICAL AND
LOGICAL - SO IGNORED!
Jeffery Roberts 76

REVIEWS

- COMPUTING THE PLANNED
ECONOMY - SOVIET-STYLE
Tony Carter 17
- MARXISM: DEAD DUCKS AND
DOGMATISM
Herbert Meyer 78
- IS THERE NEED FOR PLANNING
IN AN EFFICIENT LAND
MARKET
Paul Knight 79
- REAGANOMICS: SUPPLY-SIDERS
HEAD BACK TO SQUARE ONE
Bob Clancy 80

Idle Land from front page

years would be banned).
We agree that "small businessmen will prove to be considerably more imaginative than public bodies in thinking up profitable uses for land hitherto considered useless." But the scheme proposed by London's entrepreneurs is ill-conceived.

Is there any need to tie up large sums of cash in the purchase of land? Capital should be invested in machines which provide jobs.

Other means can be found to force owners of vacant land (both public and private) to put their sites to use; and the users should be obliged only to pay rent for the secure possession of the land.

Is there any reason to believe that the vacant land, if transferred into private hands, would be put to better use? Speculators would certainly win a share of the auctioned land. Their targets would be the prime sites, the ones which it would pay them to continue to hold vacant until the economy recovers sufficiently to squeeze speculatively high prices out of the wealth-creators!

Despite these criticisms, it is refreshing that entrepreneurs are finally taking an active interest in land use. They need to think a great deal more about the solutions: but at least they are beginning to see that their fortunes are linked with the way in which we use (or misuse) land.

IRELAND'S income tax could be abolished if the full annual rental value of land was captured for the benefit of the community.

Under the present fiscal system, under 1% of the people born in Ireland own over half of the land, and last year they paid only £250,000 in taxes on their land.

A radical change in the tax structure would boost output and employment, reduce emigration and eliminate budget deficits. These are some of the key points made to the Irish Commission on Taxation which is taking evidence in Dublin.

The land tax calculations were made by Mr. Raymond Crotty, an ex-farmer who now devotes himself full-time to research into the country's economic history.¹ His controversial proposals are summarised in the table.

MR. CROTTY used extremely conservative estimates to arrive at total revenue to be derived from a tax on the annual value of land. He states:

"Given that Irish farmland is worth £1,500 an acre, that concrete rents are £100 an acre, that urban land sells at millions of pounds an acre, there is clearly scope for raising much revenue by taxing it... The question of how much revenue can be raised is, under the circumstances, academic."

He arrived at the figure of £1,500m, which is well over the £1bn. raised in income taxes in 1980, by noting that there are 12m. acres of good agricultural land and 5m. acres of rough grazing land. He further assumed that urban land is worth half the value of rural land (in Denmark, notes Mr. Crotty, urban land is worth approximately double the value of rural land).

In his 25-page report, Mr. Crotty discusses the objections that could be raised against his estimate, and takes account of the flow of land onto the market if it was taxed at its full annual rental value. He concludes that his estimate is not an exaggerated one. More controversial, however, are some of his proposals for the reduction of State expenditure.

FOR A START, Mr. Crotty believes that the Irish Government should disavow any obligation to continue financing the public debt. This would save £750m.

Within the new tax regime that he outlines, governments would not have to resort to deficit financing. And, reasons Mr. Crotty, "if it is no longer necessary to expand public debt, it



● Raymond Crotty

ceases to be necessary or expedient to service existing debt." He points out:

"The justification for taxpayers now servicing debts imposed on them by past politicians, who undertook expenditures that they were unwilling to finance from current taxation, is to make it possible for politicians now to incur further public debt to be serviced in due course by future taxpayers."

Invoking what he calls "the basic principle of responsible government, that rulers shall spend only what the ruled provide," Mr. Crotty then proposes that other changes on central government funds should be abandoned, such as public sector pensions.

He calculates that government expenditure could be reduced by an additional £1bn. In all, Ireland would be better off to the tune of £2bn. net. But what would be the economic impact of such a dramatic change in fiscal policy?

ONE WAY to distribute the freed resources would be to allocate each adult an equal share: £1,000 p.a., or £20 per week.

Direct and/or indirect tax rates could be reduced, consumption would rise, and there would be a significant increase in investment and output. This, in turn, would increase employment, and reduce the need for the large-scale emigration which has

How To Abolish the Income Tax

THE CASE OF IRELAND: REPORT BY FRED HARRISON

	1 £s millions
Additional revenue from land tax	1,500
Savings on public debt service	750
Savings on pensions & export subsidies	500
Savings on defence and unemployment	500
Less borrowing foregone	3,250
Total freed resources, p.a.	1,250
	2,000

characterised Irish history over the past 150 years. Some taxes, such as VAT, could be abolished.

The dynamic influences are noted, but Mr. Crotty is concerned to hammer home a central point:

"The mechanics of the distribution of the fiscal benefits from taxing land are secondary. The primary point is that taxing land would appropriate for social purposes that surplus which accrues to land and which now insulates its proprietors from market forces and enables them to use land inefficiently."

The land tax would force the redistribution of land to more efficient users; this would increase agricultural output, and consequently raise the level of demand for non-agricultural goods.

This, notes Mr. Crotty, appears to square two circles.

FIRST, the land tax does not decrease output; it increases production (though it does reduce the amount of land used for a given output).

SECOND, it increases incomes while simultaneously lowering variable production costs. Mr. Crotty demonstrates, diagrammatically, that the annual payment of £1,000 to each adult would reduce labour costs, though not incomes. And this, through economies of scale, would lead to more profitable and competitive industries.

PARTS OF Mr. Crotty's report will be unpopular. Many people will react strongly against his view that public sector pensions should be disallowed. They will not be impressed by his argument that the equity reason for doing this is that

these claims on future taxpayers were created without reference to the ability or willingness of future taxpayers to meet them.

But this does not detract from the importance of the economic consequences of land value taxation. Balanced budgets, for example, remove the need for a monetary policy that generates inflation.

His proposals, however, also have important sociological results.

● Higher incomes and lower unemployment would reduce trade union militancy;

● Families would not be torn apart; zero emigration would be possible for the first time in many generations;

And there would be many other psycho-social benefits from the conscious application of the ancient Brehon tribal law that land should serve the interests of the whole community. But in Mr. Crotty's view, time is running out for the Irish economy. The burden of public expenditure, the misallocation of resources and a distorted economy are rapidly leading to what he calls "a situation verging on complete public finance and economic collapse."

His diagnosis of the problems, and his central prescription – the need to capture the market rent of all land for the public benefit – are sound. They could be equally well applied to the other industrialized economies of the Western world.

REFERENCES:

1. Mr. Crotty's works include *Irish Agriculture and the EEC*, Dublin (1971), *The Cattle Crisis and the Small Farmer*, Dublin (1974), and *Cattle, Economics and Development*, Farnham Royal (1980).

Speculation, idle land & a reason to march

WHEN THE rate of unemployment among workers rose to 9% in Swansea, the heart of the South Wales industrial belt, there was a political row.

Trade union leaders, councillors and Members of Parliament pointed out that this was a grievous waste of productive capacity.

But when the unemployment rate of land rose to 9%, there was not even a murmur! There are two reasons for this astonishing silence.

FIRST, people are not generally aware of the macro-economic effects of vacant land.

SECOND, even if they were aware, the statistics which might have set off the alarm bells were non-existent!

Put simply, people just do not care about the economic impact of this direct waste of a finite productive resource. Civil servants do not collate the data, and politicians do not demand research which would throw up the vital evidence that land, as well as labour, is experiencing a serious unemployment problem in Britain today.

FOR SOUTH Wales at least, this gap in our knowledge has been partially filled.

But we have had to wait for a charity – The Prince of Wales' Committee – to provoke action. The result is a report by the University of Wales Institute of Science and Technology, whose researchers discovered that

- between 1978 and 1980, there were 2,216 vacant sites, adding up to 4,025 hectares (over 9,946 acres), in the urban areas of South Wales;
- this represented over 5% of urban land, and the figure rose to over 9% for Swansea;
- only a fraction of the land (2.5%) suffered from physical constraints that made development difficult;
- the ownership of vacant sites was evenly split between the public and the private sectors; and

- planning laws cannot account for the scale of vacancy: two-fifths of the sites were without planning permission because applications had not been made, one-third enjoyed planning permission, and in some other cases the permission had been allowed to lapse.

REPORT P. E. POOLE

IT IS difficult to assign weights to the various explanations for this serious under-use of land.

The popular myth is that land falls into disuse as a by-product of the early Industrial Revolution. This conjures up images of slag-heaps, for example, which can only be reclaimed with difficulty. Yet in South Wales, 50% of the vacant sites were formerly used for agriculture or housing (Table 2).

Another view – it ought to be a shibboleth – is that public sector owners cannot afford to develop their sites. This shifts the blame onto central government: councillors and the managers of nationalised industries claim that they are starved of development funds.

There are two answers to this. Public authorities were not forced into the scale of the land buying spree that have led to a vast accumulation of vacant sites in public ownership, and in any event they could relinquish their holdings at reasonable prices to people who were able to put the land to immediate use.

Furthermore, the "shortage of finance" thesis does not carry conviction when we look at the remarkable lengths of time for which many sites are held vacant (Table III).

Building our way out of the recession

LOCAL authorities in South Wales who refused to release 'idle' housing land for private development were not only depriving people of homes but also of jobs, declared House-Builders Federation President Lynn Wilson in a speech in Cardiff.

"In 1980 private housing starts in South Wales, at about 5,000, were down by a third on those in 1979 – producing the lowest number of starts since the Second World War.

"Not surprising, then, that South Wales has been particularly hard hit when it comes to unemployment in the construction industry. At present there are 20,000 people – 35% or more than one in three of the industry's workforce – out of work in South Wales against a national figure of something more than 20%."

House-builders could lead Britain out of the recession, he said. "Whereas in 1930 only 114,000 private homes were started, by 1934 private starts totalled 270,000 – an increase of 135% – and the depression started to ease.

"If we did it then, we can do it again now, but local authorities must play their part. If the private house building industry can start just 50,000 more new homes this year than last, we could immediately provide 125,000 new jobs.

"Take into account the knock-on effect on other industries – those who manufacture consumer durables, fabrics, furnishings and all the other things that go into a new home – and it is not difficult to see that the house-building industry is best placed to lead the country out of the recession."



● Lynn Wilson

TABLE I: SOUTH WALES, VACANT LAND (1978-80)

REGION	Valleys		South East Wales		South West Wales		South Wales Total	
Relative Location	1	2	1	2	1	2	1	2
Town Centre	19	2.0	25	5.3	5	0.8	49	8.1
Inner Area	75	20.3	114	245.6	76	193.1	265	459.0
Outward Expansion	712	591.6	125	122.7	176	599.2	1013	1313.5
New Development	136	75.8	87	45.6	97	128.3	320	249.7
Urban Fringe	290	713.8	121	403.6	158	877.6	569	1995.0
TOTAL	1232	1403.5	472	822.8	512	1799.0	2216	4025.4

Col. 1: number of sites. Col. 2: total area (hectares).
 SOURCE: *Vacant Urban Land in South Wales*, Cardiff: Dept. of Town Planning, University of Wales Institute of Science and Technology, 1980.
 Tables 3.5 and 3.6.

SPECULATION is the explanation that receives least consideration. It is difficult to persuade landowners to admit that they are deliberately hanging onto land in the expectation of capital profits in the future, because this leaves them open to the public censure that they are in the meantime denying access to potential users. The evidence that speculation is a powerful force is scattered throughout the report. Most references are oblique:

"Clearly the lengthy procedures and protracted negotiations associated with land acquisition and assembly are a major factor in delaying the redevelopment of vacant land, especially if any of the owners are unwilling to relinquish their interest."

Some owners claim that they hold land idle to enable them to expand their premises in the future. This is plausible, in some cases, but not entirely convincing.

Other facts help us to build up a picture of the speculative motive in action. For example, most of the high-value sites in the town centres and on the urban fringe – where development is most likely – are privately-owned.

THE CUMULATIVE evidence tells us that bureaucratic controls will not provide the mechanism for releasing land to the entrepreneurs and workers who wish to get back to work.

For large portions of the vacant land in South Wales are under the direct control of bureaucrats employed by local authorities, nationalised industries and central government. Yet the wicked misallocation of land continues...

The solution has to be sought in the area of fiscal policy. At present, however, taxation policies actively *encourage* the under-use of land! As the authors of the South Wales

study note, the tax advantage of owning land "appears to encourage the acquisition of building land by private companies far in advance of it being required for development."

Thus, fiscal policy must be reversed. Landowners should pay a heavy annual tax on the market value of their land. This would force them to put their land to economic use – thereby directly stimulating job opportunities – or relinquish the land to others.

If public authorities were exempted from the tax, they should nonetheless be required to publish the market-determined rents which are foregone as a result of holding land vacant. This would impose enormous public pressure on them to change their policy of wasting the consumers' and taxpayers' money.

TABLE III: Duration of Vacancy

YEARS	NO. OF SITES	%	DEVELOPED OR UNDER CONSTRUCTION	OWNERSHIP	
				PRIVATE	PUBLIC
0-4	6	10.7	3	1	5
5-9	6	10.7	2	2	4
10-14	8	14.3	-	2	6
15-19	15	26.8	2	5	10
20-29	11	19.6	4	7	4
Over 30	10	17.8	2	6	4
TOTAL	56	100.0	13	23	33

Land probe charity

PRINCE CHARLES is chairman of The Prince of Wales' Committee. The Cardiff-based charity works to improve the Welsh environment. Its Director, Brian Lymbrey explained: "We commissioned the study because of the inadequate information available on vacant land. People talk about land being idle, but no-one knows much about why it is there, how much there is, how much has a future use, who owns it, and what is being done about it. We don't have political masters, so we commissioned the study. But research is no good unless it helps people to alleviate the problem afterwards."

Hoarders mop up in forced rail land sales

THE British Government's policy of forcing the sale of public land to raise cash for current expenditure is working.

But evidence that this method of raising revenue is not the most efficient now comes from Sir Robert Lawrence, chairman of the British Rail Property Board, writes *P. E. Poole*.

The cash flow needs of the railways forced land sales which raised £40m. gross in 1979.

Since 1964, the railways have sold 82,000 acres for £267m. These deals may have yielded lump sums for the railways, but they have not always led to productive use of the land.

For as the Board states: "Some of this land is still to be developed by new owners."

The hoarding of land can only be attributed to the speculative motive.

The Property Board is not entirely happy with its programme of land sales. Sir Robert noted at a Press conference: "It should not be forgotten that once land is sold its income, or potential income, is lost to the railways forever."

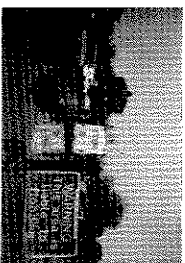
"We have sold property which, in a different climate, we might have retained for its growth potential."

"The pressures on the Railways Board for cash are considerable and are likely to remain so for the foreseeable future. However, we do not see it as part of our policy to sell at any price."

A rational land tax would stimulate sales of unneeded land. Vacant land held for sound operational purposes could be retained in portfolios without difficulty, but land held for speculation would be forced onto the market at realistic prices.

This may deny future income to present landowners, but it would maximise output to the general benefit of the whole community!

The existing Development Land Tax, however, far from encouraging an efficient use of resources, is having what Sir Robert called an "inhibiting effect" on development.



London is SINKING!

DOWN IN the lower reaches of the Thames, just along the river from prosaic Woolwich, a civilian army is engaged in a battle to demonstrate man's ability to master the forces of Nature. Some 1,500 people are at work, at a cost of around £422m, building the world's largest moveable flood barrier. The aim is to protect London from the ocean surges which, powered by deep depressions in the Atlantic, are funnelled up the Thames from the North Sea and, when coinciding with high tides, threaten to inundate 45 square miles of the capital.

The flood threat to London is centuries old. Severe floods occurred in 1236 and again in 1663. Over 100 people have died in overflows of the Thames since 1930.

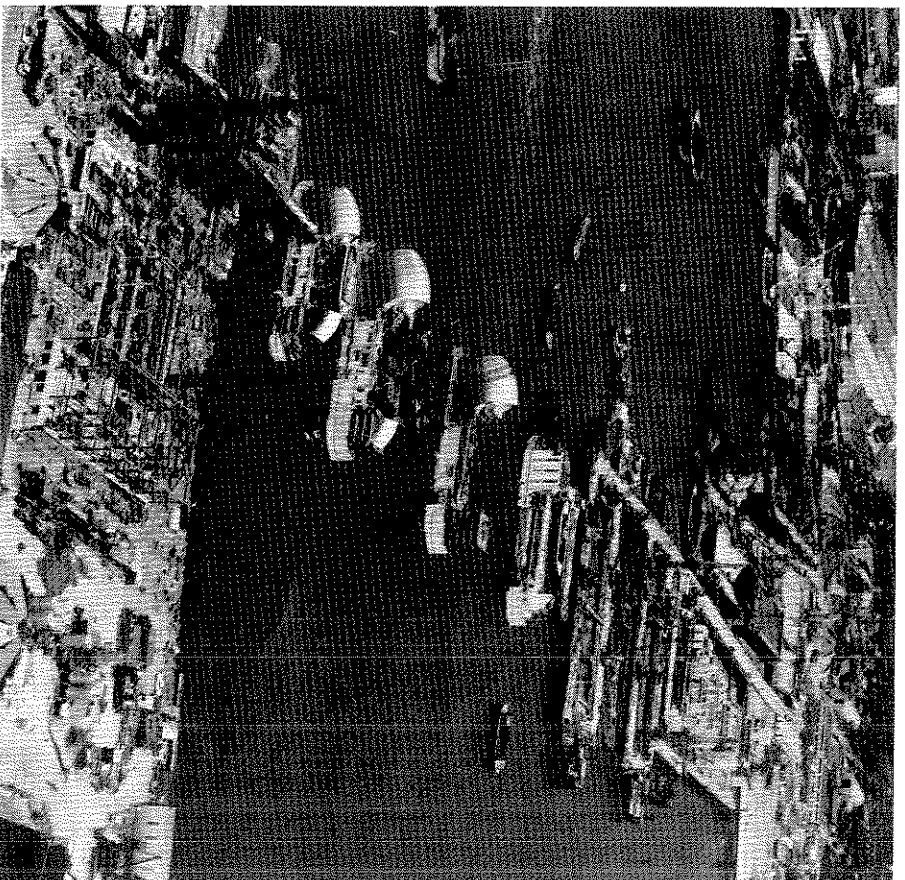
But the risk today is greater. London is slowly sinking into its bed of clay while, at the same time Britain is gradually tilting towards the Continent, causing London and the south-

east to settle about one foot every century. Added to this, tides are getting higher, so flood levels at London Bridge can now be two feet higher than they were 100 years ago.

**REPORT BY
BERT BROOKES**

The consequences to Londoners of major flooding are frightening. More than a million people who live in the threatened area and the 250,000 homes, factories and offices would be in dire danger. Thousands of cars and other vehicles could be swamped. Gas and electricity supplies could be dislocated, affecting homes, hospitals and factories well beyond the flooded areas. Water would be contaminated. Transport could be paralysed. Thames bridges and tunnels could be made unusable and the Underground could be out of action for several months.

The direct cost of all this damage



● The Thames barrier being built at Woolwich

So Who Is PAYING?



might be as high as 3½ billion pounds. The indirect cost could be many times as much.

The conventional method of protecting a town from floods is to raise the river walls. But in London's case the amount of raising would need to be about six or seven feet – enough to destroy the character and attraction of the river. So we are to have a barrier *across* the river, a barrier that must be strong enough to resist the avalanche of floodwater at the peak of its force yet adaptable enough to allow shipping to pass in normal times. This means a moveable one – a system of giant floodgates which can be winched into position in a matter of minutes once the storm tide warning is given.

Imagine a slice taken from a Swiss roll, not across the circular section but along its length, producing a long, crescent-sectioned plank, flat on one side and curved on the other. This is the shape of the six enormous hollow

steel gates, some half the size of a football pitch, which are being built length-wise between concrete piers across the river to form the main part of the barrier. By the end of 1982 they should be in position across Woolwich Reach.

During normal times these "rising sector" gates will lie flat on the river bed, curved side downwards, allowing shipping to pass over them. But when the danger signal is given the hydraulic machinery will spark into life and the gates will swivel through 90 degrees to present their curved surfaces – a battle-line 570 yards long and the height of a 5-storey building – to the incoming surge.

There is no doubt that the barrier will be a prestigious feat of engineering of which the designer, a Londoner named Charles Draper, and the Anglo-Dutch engineering contractors will be justly proud. And more than a million Londoners will sleep more soundly in their beds.

But an important question arises. Who pays? Who should bear the cost of making these 45 square miles safe for their inhabitants? At the moment, 25% of the bill is being paid by the Greater London Council and 75% by the Government. But should London ratepayers outside the flood area be called upon to pay for construction work from which they will not benefit? And should the lion's share of the cost – more than £300m – be borne by taxpayers all over the country who probably have never been nearer to London than seeing the Lord Mayor's Show on television?

Opinions on these matters may vary. But of one thing we can be sure. Once the flood threat is removed, land values in those 45 square miles will rise as inexorably as any flood water.

Since Britain does not allow public access to official records of land ownership it is not possible to identify all the owners of the threatened areas of the capital nor to assess the effect of raising the £422m cost by a tax on their holdings. All we can say is that, in lifting a burden from the minds of the million inhabitants, the Thames barrier will swell the bank accounts of the fortunate few who own that 45 square miles of dry land.

The megalopolis step!

"IN CONFRONTING pollutions and miseries on such a scale, governments may be tempted to throw in their hands," noted the widely-acclaimed – but unofficial – report to the UN Conference on the Human Environment held in 1972: a conclusion which the official inactivity of the past eight years appears to vindicate. Nonetheless, it is worth reminding ourselves of the priority area for action which the two distinguished authors of the report optimistically identified.

"But there are a number of policies, mutually supportive and reinforcing, that can be undertaken, *provided one preliminary step is taken* – and that is not to repeat the ridiculous complacency of market economies and suppose that commodious, convenient and beautiful cities with a proper variety of classes and an underlying sense of social balance and *esprit de corps* can be produced by the unregulated operations of a speculative land market. In few areas have single-thrust economics, transferring the profits created by social needs to private owners, so radically influenced and often distorted the functioning of the whole community. It, with all their wealth, Western societies have produced so many inconvenient and ugly cities – not to speak, in some of them, of flagrant injustices – developing societies, short of capital of every kind, will fare infinitely worse if they allow their urban land value and building costs to rise to the point where they are unable to afford an urban policy, however well they may have designed it in the first place. In India, for instance, the element of land costs in housing in big cities is already three times higher than in smaller towns and this is a major reason for the increasing degradation of big city shelter.

"The first principle is therefore a policy for land use, for the purchase or close control of urban land, and either the prevention or the securing for public purposes of speculative gains from rising land values. *Without these, there is simply no conceivable way in which developing megalopolises will improve for the majority of their inhabitants. On the contrary, they are certain to grow worse.*"

Barbara Ward and René Dubos, *Only One Earth*, Harmondsworth, Penguin, 1972, p. 252. Italics added.

Vacant Land in four London boroughs, 1979

	No. of sites	Area in hectares
LAMBETH		
Public ¹	64	17.20
Private	90	9.51
HACKNEY		
Public	154	26.71
Private	92	18.90
SOUTHWARK		
Public	237	327.00
Other	79	18.00
TOWER HAMLETS²		
Public	316	345.00
Private	400	173.00
	127	25.00
	506	198.00

1. Includes land owned by borough councils, GLC, statutory undertakings and central government.
2. Because some sites are in more than one ownership, these figures do not sum to total.

SOURCE: *30 Square Miles of Wasteland*, London, National Federation of Self Employed and Small Business Ltd., 1981, 50p.

EARTH DAY:

EARTH DAY 1981 was internationally celebrated on March 20, the Spring Equinox when day and night are of equal length everywhere on the globe. The first Earth Day was celebrated in San Francisco in 1970, the brainchild of John McConnell and his Earth Society Foundation. Since then, Earth Day has gained wide recognition. This year in San Francisco, Mayor Dianne Feinstein, at the urging of the World Citizens Assembly, proclaimed March 20 as World Citizens Day. She encouraged "all citizens to participate in the festivities linking people of our city to people of all the earth, acknowledging our common humanity."¹ The World Citizens Assembly is a non-governmental organisation that works in cooperation with the United Nations.

At the United Nations in New York, the Peace Bell was rung at 12.30 p.m., the exact moment of the Equinox. Several persons spoke to the outdoor assembly, including UN Ambassador Arvid Pardo of Malta, the "father" of the Law of the Sea Treaty, and John McConnell.

McConnell and Pardo were also among the guest speakers at "Economics of Peace: An Earth Day Conference" held at the Henry George School of Social Science, located not far from UN headquarters. McConnell pointed out that humanity is at a point in its evolution when it must decide to "grow up or blow up!" He related how, looking to the past as well as to the future, he based his choice of the Equinox for Earth Day on the ancient Earth-culture of Stonehenge, which was built to mark the occurrence of the Equinox and other astronomical phenomena.

One of the tools used by McConnell's Foundation to promote Earth Day is the *Earth Charter*.² Its preamble opens with the statement that

We are the first generation to determine the life or death of the planet we have inherited. The care of Earth is now our most important task... We believe that a vigorous united effort to understand, protect and revive our planet will at the same time promote mutual trust and accommodations needed for creating a peaceful future.

The Charter goes on to outline its principles of "Earth Care," "Earth Rights," "Stewardship," and "Guidelines for Action." It urges the development of technologies "that will increase rather than destroy Earth's renewable bounty."

A detailed exposition of the principles of Earth Rights is found in the Foundation's *Planetary Inheritance*

Declaration.³ The *Declaration's* central point is

That among the equal rights of men is the right to an equal share in nature's bounty; a right of each man to his planetary inheritance.... No one can, by any compact, deprive or divest their posterity, or any other man's posterity, of the right to his portion of Earth. All natural resources belong equally to every living person.... To this end each nation should collect a two per cent royalty each year for all use (including its own) of any land or other resources. These royalties would be based on the selling price of the natural Earth materials sold or used. These royalties would be separate from taxation for government needs, and be distributed equally to all citizens.... In this way within a fifty-year life span there would be full and just compensation to each person for any use of his portion of Earth's natural riches.



MARK SULLIVAN
reports from
NEW YORK

The *Declaration* extends this principle to the use of the sea and sea floor: the royalties from such uses would be collected by the United Nations and distributed equally as with the other royalties. The difference among nations relative to natural resources could be further equalized via a global Natural Resource Royalties Pool. The *Declaration* also recognises that

The benefits of nature's bounty can only be realised through man's constructive effort and the wise use of his accumulated knowledge.... Therefore, no individuals, or groups, should be deprived of any just benefits obtained from the industrious use of Earth's resources, so long as they meet their obligations to Earth and Earth's people.

These obligations, according to the document, include the payment of the two per cent royalty and non-pollution of the environment. Polluters would forfeit their right to receive royalties for specified periods of time, depending on the damage done.

PARALLELLING the developments of Earth Day, from small obscure beginnings to international recognition, is that of the Law of the Sea Treaty. For 12 years the UN has been seeking to draw up a legal framework within which all people can conduct activities within the marine environment. Ambassador Pardo, who first proposed the idea, traced the development thus far, going back to the early legal status of the sea. While there had been attempts by powerful governments to claim the sea as their own (e.g., the Pope at one time divided ownership of all ocean water between Spain and Portugal), it has been generally accepted that, in the words of the Dutch jurist Hugo Grotius, "the sea is free", i.e., beyond the jurisdiction of any nation-state.

Modern times have seen the eroding of this principle. The discovery of off-shore oil in the '40s led US policy makers to claim a "contiguous zone" which extended national jurisdiction beyond the traditional three miles to 12 miles out from shore. This trend has continued, with other nations following suit and escalating the claims. Today only 40 per cent of the marine environment remains unclaimed.

It was to halt this trend towards total nationalisation of the ocean that led Pardo to develop the concept of the Law of the Sea. Under the proposed draft treaty, the UN would create a Seabed Authority to oversee and manage the exploitation of undersea fisheries and such resources as hydrocarbons, algae, petroleum and manganese. The waters above the international seabed (the unclaimed 40 per cent) would remain "high seas", i.e., free for all to navigate upon.

The draft treaty is currently being held up for review and possible rejection by the Reagan Administration. Parts of the draft treaty propose mandatory transfer of financing and technology from those willing and able to mine the ocean floor to the Seabed Authority. The US and other industrialised nations see this as a form of taxation imposed on their citizens for the benefit of "Third World dictatorships."⁴ And there are

2% royalty plan for sharing resources

other unresolved issues: the use of the sea for military purposes; conflicts of interest between coastal and inland states; and whether or not the revenue collected by the Seabed Authority should be divided among all nations according to some formula, or used by the Authority itself to finance and extend its own operations (the method advocated by Pardo).

IN HIS address to the conference, Robert Clancy, president of the International Union for Land-Value Taxation and Free Trade, stressed the ethical imperative underlying the need for reforms that implement the idea of "common heritage". He used some basic statistics to bring home his point. The total surface of Earth is 196,938,000 square miles (with 640 acres per sq. mile), the total dry-land area being 57,500 square miles. With 4.1 billion people inhabiting the globe, the dry-land could be divided into 36 acre lots per family of four.⁵

Of course, since land is not of equal quality, situation or value, and since some people require more or less land than others, it would be impossible to divide up Earth equitably among all people. Yet there is a solution, said

Clancy, and that is to take the rental values that attach to sites and resources and distribute them in equal shares to every person. This could be done on a global level, as proposed by the Planetary Inheritance Declaration or the Law of the Sea; on a regional level, as proposed in Alaska and practised in Alberta; or on a local level, via a "single tax" on land-values as proposed by Henry George.

An alternative voluntarist method of land reform, the community land trust, was detailed by Dan Sullivan of the Henry George Foundation. The land trust, of which there are over thirty in operation in the US, is a legal entity that acquires land by gift or purchase. The land is then leased out in parcels to tenants, but it is never again sold or otherwise taken out of "trust." The rent collected by the leases is used to defray property taxes and other community expenses, with any surplus distributed as dividends to the original "investors" in the trust, or to the tenants themselves.

The voluntarist spirit was manifest in several of the other guest speakers at the Conference, as well as in many of the participants among the audience. Conference co-ordinator

Do rent controls curtail house building?

TWO HUNDRED U.S. cities enforce rent control or stabilisation schemes.

These are designed to protect low-income families from unbearably high rents at a time of a general shortage of property to let.

The Senate Banking Committee has now urged that these controls should be eased. If the cities – including New York and Washington – refuse, they could be denied Federal housing funds.

For President Reagan's Administration believes that rent controls are responsible for the shortage of rentable housing. Many landlords, it is argued, have allowed property to run down because the controls deny them a reasonable return on their investments.

Ian Barron writes: There is a superficial plausibility in this argument, but it is

wrong. It puts the cart before the horse.

Obviously, investors require a competitive return on their capital. But the rising price of land is the major reason why the house-building industry is not able to match the demand for privately-owned homes.

Historically, as building gathered momentum – pushing up output in response to demand – the speculators moved in to capitalise on the community's needs. This forced land prices above realistic levels: people could not afford the prices which the builders were forced to charge. This, then, resulted in a cut-back in construction.

House-building cycles – slumps following booms – are a well-documented phenomenon, and they are not evidence that the demands of families for

homes have been periodically met to their complete satisfaction!

So, families have had to resort to renting their accommodation. But rents, rising along with the sale price of land, forged ahead of pay packets. This caused distress, and resulted in the widespread demand for action.

Traditionally, political action has been myopic: rent controls – which then do, indeed, discourage investors!

The source of the problem, however – the monopoly price of land, and artificial restraints on its supply – is effectively ignored by those who shape policies in Washington.

Why? Because the politicians (and the lobbyists) have failed to make the land issue an electorally important one.

Mildred J. Loomis of the decentralist School of Living, Jack Schwartzman, editor of the individualist quarterly *Fragments*, and Mark Brady of the Students for a Libertarian Society, each criticised militarism and governmental intervention.

ONE OF THE more controversial speakers was Kirkpatrick Sale, noted author of *Human Scale*. Speaking on the advantages of localism and appropriate technology, Sale also correlated peace and decentralism by using statistics showing that, throughout history, periods of inflation and periods of war coincide with periods of growth of the large-scale nation-states.

The evils of nationalism were also criticised by Dr. Harry Lerner of the World Citizens Assembly. According to Dr. Lerner, a world economy geared to the production of nuclear armaments, to the detriment of both the taxpayers and real human needs, now poses the grave threats of "omnicide, the killing of us all; and terricide, the killing of the Earth." And the present costs of the mis-allocation of financial and agricultural resources (into the hands of military and corporate elites, both in industrial and developing countries) was outlined in Lynn Stone's talk on the world crisis in food production.

While the problems presented were apparent and interrelated, the solutions presented sparked much discussion and disagreement among the conferees. Not all could accept the desirability of nuclear disarmament, or of governmental measures to effect more equitable access to land and natural resources. Anti-statists shared the platform with world-governmentalists. There was, however, a general agreement that what is good for planet Earth is also good for the individual human being. A world at peace would be one where each individual had access to Earth on an equal basis with others, where special privileges and destructive powers had been eliminated, allowing global cooperation to flower and transcend the artificial barriers of political geography and ideology.

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The Making Of An

THE ATTEMPTED assassination of the Pope in Rome shocked the world. But it would be a mistake to seek the causes of this tragic deed in the psychology of the gunman.

Mehmet Ali Agca is the product of a configuration of social and economic forces which turned him into a neo-Nazi. But observers who have flown to Malatya, the capital of an eastern province of Turkey from which Agca originates, have concluded that but for the cleavages in his local society he could equally well have turned into a militant Leftwing activist.¹

The polarisation of political affiliations in Turkey is the result of poverty and the defence of power by those who now control the wealth. Agca was one of the unwitting tools of the Right. Ironically, he gave vent to those frustrations created by poor employment prospects by seeking refuge in the ideology which nurtures the conditions of material deprivation.

IN THE two years before the *coup* last September, 5,241 people were murdered. The military takeover was not a result of the desire among the generals, for political power. The politicians had failed to give democratic direction to the country, the economy was in ruins and people were turning to extremist ideologies.

Disputes were settled with guns, and the civil police could not enforce law and order. So the tanks rolled. Metin Munir summarised the sorry situation in his country:

"Inequities in wealth, unjust land distribution particularly in Eastern Turkey where the Kurdish minority lives, unemployment, inflation and lack of opportunities for the young are a few of the causes of terror."²

Agca is the product of the eastern provinces, the poorest end of Turkey which has been all but ignored by the Ankara elites.

Land reform is urgently required. The World Bank says that Turkey has one of the most inequitable distributions of land. The politicians avoided taking any action to upset the landowners.

Now, however, the military regime is determined to push through land reform. Chris Sherwell reports that they may succeed in overriding the objections of the landlords — the agas — where the political parties failed:

"The main target areas are the east and south-east of the country. In these regions almost 750 villages fall completely or partially under the ownership of individuals or families. Even the dwellings where landless peasants live are owned by these agas, some of whom own literally dozens of villages."³

Agca's family lives in one such mud-and-brick house. Yet there are vast tracts which could provide employment and food for the poor. But without ready access to the land, the peasants are locked into poverty and driven into the towns in search of jobs that do not exist.

As a result, urban areas have exploded in size. The population of Malatya, on the railroad just west of the Euphrates, has more than doubled in the past 20 years.

ECONOMIC DEPRIVATION has encouraged sectarian violence among ethnic and religious groups. Sixty people died in Corum last year in riots and looting which matched the daily scenes enacted in Belfast: the root causes are similar, only the names are different.



OUTFLOW OF WO Foreigners in (

	Aged 15-64 (000s)	Lah...
1970	1,944	
1971	2,320	
1972	2,598	
1973	2,871	2.
1974	2,997	2.5.
1975	2,884	2,284
1976	2,765	2,108
1977	2,842	2,046
1978	2,739	2,025

Foreigners h
(in th
Sept.

THE HIT MAN: Mehmet Ali Agca NEWS ANALYSIS BY Fred Harrison

Turks	1,26
Yugoslavs	62
Italians	59
Spaniards	18
Portuguese	10
Greeks	29
Others	1.07
Total	4.14

SOURCE: Financial Times, 7.8.80

The parallel with Ireland does not end there, however. Turkey — like Ireland — has had to export large numbers of its unemployed workers. Germany has been the favoured destination, but the collapse of the global economy in 1974 generated an extra layer of psycho-social tension.

For landless peasants from the villages could no longer aspire to relatively well-paid jobs in Europe. Although they continued to migrate to Germany, employment was not readily available, and German trade unions were demanding that "guest workers" should be sent home. (See table).

For the Turks, however, there were no jobs to return to in their homeland. The pressures built up into widespread urban terror. By 1980, the German Embassy in Ankara estimated that between six and seven million of the 45m population wanted to emigrate to escape poverty and terror.⁴

Some of these alienated citizens will find sanctuary in the land reform planned by Gen. Kenan Evren's Government. An irrigated area of 7,500 hectares in Urfa is about to be rented to 4,500 families; additional land nearby will eventually be sold on easy terms to landless peasants.

Altogether, the plan envisages the settlement of 550,000 landless families on farms. But is this enough to stem the violence?

THE EDUCATIONAL system is regarded as an important instrument for eradicating terror in Turkey. The assumption is that a careful rewriting of the textbooks will instil the appropriate attitudes for a peaceful, prosperous republic.

This educational philosophy is a legacy from Kemal Ataturk. But filling people's heads with words is not an adequate substitute for filling their rumbling bellies with food.

Assassin

GERMAN GUEST WORKERS

Germany 1970-78

Proportion of total labour force	Numbers employed (000s)	Un- employed (000s)
7.0	1,858	5
8.2	2,183	12
8.8	2,343	17
9.6	2,560	20
9.4	2,448	69
8.7	2,133	151
8.1	2,002	106
7.9	1,954	92
7.7	1,928	97

West Germany

'79	Sept. '80	Change
8.3	1,462.4	+194.1
0.6	631.8	+11.2
4.4	617.9	+23.5
2.2	180.0	-2.2
7.8	112.3	+2.5
6.8	297.5	+0.7
1.7	1,151.4	+79.7
3.8	4,453.3	+309.5

and 24.12.80.



THE VICTIM:
Pope John Paul II

Since the 1950s, the number of people fed and supported by Turkish agriculture has declined dramatically. Yet the gap between potential and actual production remains high. For example, under 3m hectares out of a potential 8.5m hectares are under irrigation.

Modern capital-intensive technology has been one reason for the displacement of farm workers. Expensive tractors are doing the work of cheap labour. As a "labour-surplus" economy, Turkey ought to prefer labour-intensive methods of cultivation, thereby freeing scarce capital for the industrial development that would provide jobs for those who simply could not be supported by the rural economy.

Instead, the great landlords have been allowed to shape agricultural policy to maximise rental income at the expense of the wages of workers.

Although the military government is taking action, there are three serious weaknesses with its strategy:

- By creating a larger class of landowners, the reform is not reallocating economic opportunities equitably. The plight of labourers who will not receive land will not be ameliorated.
- Although Turkey has now been promised a multi-billion dollar loan and aid programme, this alone will not provide the basis for a restructured economy with balanced development between the rural and urban sectors.
- Giving land to today's peasants will not solve the inter-generational problem — there will certainly not be enough land for Agca's grandchildren.

The economy needs a powerful fiscal reform. Spearheading this should be a tax on land values, to break up the large estates in favour of peasant farms, shift unearned income into the exchequer to finance vital infrastructural investments, and encourage private capital formation.

That something needs to be done about taxation is beyond controversy. While the average worker pays about £25 a month in tax, doctors expect to pay only £20 and a big landowner's bill is just £4,501!

TURKEY'S economic problems reach beyond her borders to threaten NATO defences. The Kurdish uprisings in the eastern provinces are recognised as peasant revolts, the direct result of landlessness.

Under 3% of the population in these provinces own one-third of the arable land. Absentee landlords wield the political influence, relying on the support of the civil authorities to maintain their coercive power. For example:

"In Siverek the main aga, or landowner in Turkey, is Mr. Mehmet Celal Bucak, whose sway extends over Siverek with its 36,000 people and about 20 villages. He traditionally delivered the votes of these people to the right-wing Justice Party for which he was a deputy. In exchange he received the backing of Ankara and the authorities."

There were many such "rotten boroughs" in the Turkish political system before the coup.

But the hold of the landowning right-wing has weakened in recent years; the peasants, reacting by adopting the communist philosophy, have tried to marshal their forces. Kurdish nationalism has been a banner around which to rally.

This challenge is a direct threat to the stability of the state, which in turn undermines the ability of the West to protect its eastern flank. Diyarbakir, the city regarded by Kurds as the political capital of "Kurdistan," is also the site where the U.S. has an electronic surveillance complex for tracking Soviet missile launches.

UNEMPLOYMENT at 20%, while disguising serious over-employment in big state enterprises, nonetheless gives an indication of the scale of the economic problem confronting the generals.

The government may suppress the violence that is a manifestation of the humiliation suffered by millions of Turkish men and women who cannot provide their children with decent life-styles. But a rational reform of the economy is the only way to establish permanent social and political harmony.

Whether the army can gather together the brain-power to draft such a plan remains to be seen. Meanwhile, however, Turkish society will continue to spawn men like Mehmet Ali Agca, the pathetic victims of circumstances not of their own creation.

The Italian authorities will treat Agca as a criminal. The Pope has forgiven him, but this absolution was dictated by religious considerations. Could the Pope equally well have forgiven him on the grounds that the gunman was not responsible for the perverse conditions that turned him into a monster?

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The Viking Root to Justice

DURING MY recent participation in the United Nations General Assembly as a member of the Danish delegation, I was repeatedly questioned about the ideological basis of the Danish Justice Party (DJP).

The English name is a direct translation, but the party is often called the Single-tax Party. We prefer the use of DJP because the party participates actively in all political aspects of the country on the basis of equal rights for all individuals.

Many people in and out of Denmark ask for the reason why a political party – which is based in large part on the theories of the 19th century American economic philosopher Henry George – has taken root in Denmark. It has shown a remarkable capacity for survival, and no such party exists anywhere else in the world.

The answer has something to do with the old Danish cultural behaviour, based as it was on the custom rights exhibited in small local societies of the country – some say that it may be traced back to the Viking-time – which kept Denmark largely free of the influence of the Roman Law. This behaviour was most clearly expressed in Bishop Gunner's preface to *Jydske Lov* (Law for Jutland, 1241) where he says:

"... the law shall not be made or written for anybody's special favour, but in the interest of all those who live in the country."

In the last part of the 18th and the first part of the 19th centuries the opinion of the people was greatly influenced by Count C. D. F. Reventlow (1748-1827), who was influenced by the Physiocrats and Adam Smith's liberalism. He was Prime Minister for not less than 30 years. He inspired and promoted the farmers' Liberation Act in 1788, which laid Denmark's liberal foundation.

During the 19th century the poet, writer and clergyman N. F. S. Grundtvig was spokesman for a continua-



BY J. P. SKOU

Professor Skou is a biologist at the Risø National Laboratory. He is a member of the executive committee of the Danish Justice Party.

tion of the land reforms initiated in 1788. In 1849 he wrote about people's ethical right to the land, and as member of the constituent assembly he claimed freedom for the individual. Thus, Grundtvig became forerunner for Henry George's ideas in Denmark. He influenced many people through his writings and the "Folkhøjskoler" (folk high schools) which he inspired. These provided a fertile ground for the ideas of Henry George when they first appeared.

THE PRICE OF MODERATION

BRITAIN'S 2.5m unemployed workers are being told by Prime Minister Margaret Thatcher that they can price themselves back into work if they moderate their wage demands, writes Ian Barron.

The threat of unemployment is undoubtedly one of the checks on the rate of increase in wages. Despite the level of benefits paid out to the jobless, people prefer to work for their incomes.

But what about land monopolists? There are few pressures on them to moderate the price of their assets.

As the *Estates Gazette* (March 14, 1981; p. 981) observes in its editorial: "Few vendors willingly offer their holdings when prices are sliding." So the restricted flow of top-grade land onto the market has helped to keep selling prices at over £2,000 an acre.

Land that ought to be reallocated is retained by existing owners, who prefer to under-use their acres rather than agree to accept realistic prices which – given prevailing economic conditions – are lower than their expectations.

But Mrs. Thatcher is silent on the issue of land monopolists moderating their demands!

HENRY GEORGE'S theories were brought to Denmark at the beginning of this century. They attracted considerable attention among intellectual people preoccupied with the thoughts of the Danish philosophers Severin Christensen, C. N. Starcke, Axel Dam, and C. Lambeck, and among smallholders whose leaders had contact with the folk high schools.

As early as 1902 the smallholders association adopted the "Køge Resolution" which required farmers to pay rent to the Government for the land they occupied instead of paying income tax and duty. All these very small farmers were so sure of the value and importance of Henry George's ideas that they demanded freedom to help themselves; they did not want protection.

In the following years four different associations sprang up, based on the philosophy of Henry George, and Severin Christensen published his main work *The Constitutional State* (Retsstaten) – a state based on George's economic ideas, the concept of freedom for the individual that should not only be limited by the equal right to freedom for other individuals, and on the limitation of state intervention.

The Justice Association (Retsdemokratisk Forbund) and the Henry George Association attempted to stay out of party politics, preferring to "infiltrate" their ideas into the programme of existing parties. After some discussion between the associations it became clear that this strategy would not prove effective. In 1919 three of the associations fused to found "Danmarks Retsforbund" (The Danish Justice Party). The Henry George Association still exists as a cross-party organisation. This development partly explains the capacity for survival.

THE DANISH Justice Party has always been small, though quite a few Danes basically believe in the correctness of the ideas. In 1926 DJP won its first two seats in the Folketing (Parliament), and until 1947 never went beyond four. In

1950 it jumped from six to 12 seats. One of the reasons was that the DJP demanded swifter dismantling of postwar restrictions than the other political parties were willing to endorse.

The political success of DJP increased the general interest in land taxation. In 1954 – after six years' work – the land taxation commission, set up by the Government and including members of all political parties and larger organisations, submitted its report. The majority declared that they would support a gradual change from income tax to land tax. This result had an interesting effect on the fortunes of the DJP, which got nine seats at the election in 1957. It entered into government responsibility by forming a coalition with the Social Democrats and the Radical Liberals, the so-called "Triangle Cabinet".

It was commonly believed that this Cabinet of land tax supporters would initiate effective legislation in this field. The result was that land speculation practically stopped, instead, capital was invested in increased productive capacity.

As a result of DJP's participation in this Cabinet during three-and-a-half years, several of its basic ideas were implemented, such as trade liberalisation by tariff reductions, and legislation to tax unearned increment on land values.

Everybody agrees that the Triangle Cabinet was a good government, but at the following election the Social Democrats received nearly all the credit. There had been strong opposition within the DJP against participation in a government with socialists. Anyway, the result was that the party lost all its seats and went into the political wilderness that lasted for 13 years. Shortly after the DJP was excluded altogether from Parliament the law on land taxation was rescinded.

The experience of government and defeat forced some hard lessons on the party which ever since have affected its conduct. As time passed, people became less orthodox in their beliefs. Leaders of the party realised the need for a clear profile and for coherent policies on all current issues.

A new, updated and more pragmatic Statement of Principles was adopted in 1966 when the fortunes of the DJP were at their lowest point. This gave a somewhat new image to the party and contributed in the long run to its return to Parliament, but a number of odd, unpleasant issues came up and contributed to this. For example, the EEC became important from 1970 and helped the DJP, which was the only non-socialist party against it.

The many political failures during the '60s and early '70s planted a time-bomb in the Danish political system. It exploded with the election in 1973 which brought five new parties into parliament including the DJP with five seats. For no clear reason the party was eliminated again at the election in 1975, but its very absence from Parliament in the 1975-1977 period gave it a clean image and brought it back with six seats. Now, after the election in 1979, the party has five seats.

TODAY, we pay income tax, and interest and compensation to the former land owner for use of the land, even though he has not done any work for the money. This effectively means that we pay tax twice. The DJP proposes that state revenue should be raised primarily from a tax on annual land values.

The DJP advocates the development of a broad collaboration between nations in mutual trust and respect, gradually as the people are ready for it, such as is the case between the Nordic countries and to some degree in EFTA. For these reasons the party is against the Common Market, which is being forced on the people, and because it takes away our sovereignty piece by piece. Furthermore, the DJP is of the opinion that the Common Market acts monopolistically, and protects members against world trading competition. The economy should be free

of restrictions, and state subsidies and controls should be abolished.

The party opposes socialisation, state intervention, and incomes policy, but a modern, rich society should have a good security system for everybody. Therefore, all those falling into distress shall have the help they need.

The country should be governed by a "magistrate" consisting of the political parties in proportion to their size. Members of the government should leave their chairs as members of the Parliament in order to keep the tripartition of the power – legislative, judicial, and executive – as required by the Constitution. This will imply Parliamentary co-operation on a case-by-case basis in varying groupings and reduce elections to four-year terms. The DJP favours more frequent referenda.

The party supports international co-operation but prefers solutions on a world basis; it is against regional blocs. Foreign policy shall promote free trade, and the party supports an active development policy on the basis of free trade.

The party is not against NATO; though our military force cannot help much in a war it is seen as a will of existence for the country. Defence, however, shall be based on volunteers and not on forced conscription.

These clear and liberal statements partly explain the capacity for survival, but the DJP has always had and will always have one drawback: it cannot and will not speak in favour of any special group in Danish society.

One dimension the U.S. architects forget . . .

AMERICAN architects believe that the price of land will force families to accept smaller homes.

"The high cost of land will make it tough to afford much space," reported Lawrence Raut in *The Wall Street Journal* (May 13, 1981).

Some of the ideas being discussed:

- Tent-like structures of cables and fabric that can be moved, added to and replaced;
- Greater building densities, with fewer detached homes and more high-rise buildings;
- Smaller, multi-purpose rooms, with greater emphasis on space-saving devices like beds that fold into walls.

Ian Barron writes: the ingenuity of architects can offer us some exciting prospects, such as transforming rooms into three-dimensional areas operating

on different, but overlapping, levels.

But the thesis that families will have to resign themselves to smaller living areas is built on the erroneous belief that population growth – coupled with limited space – must inevitably force us into high-density living.

In fact, there is sufficient vacant space within the US to accommodate every single family in the country with a decent-sized home.

The problem, of course, is to release that land at a realistic price for the builders to use. That's politics; but the easiest solution is to redesign houses with a few lines on a drawing board.

Cramping ordinary families has always been easier than cramming the lifestyle of land monopolists. . .

THE BACKGROUND to the decades of the 1880s and 90s is important because it helps explain why it was only ten years after the publication of Henry George's *Progress and Poverty* that pure Single Tax Leagues appeared in Australia.

The 1880s were good years for most Australians. Everyone had a few bob, even the poor folk could own their own cottages, the economy was buoyant, and new ideas flourished. In such an optimistic atmosphere Utopian schemes became very popular subjects for debate. Alfred Wallace, Karl Marx and Ed. Bellamy all had their supporters, and George's was only one of half a dozen new reform plans in favour.

The 1890s were about as different as you could imagine: bank crashes, depressions, strikes, droughts and epidemics rolled across the country. For the first time, political parties – Free Trade, Labour and Protectionist – appeared in Australia. Unions went political, employers regrouped, and people began to think of themselves as belonging to classes. In these troubled times Henry George's call for social reform and his fiery rhetoric caught the attention of thousands; the Single Tax movement as a popular front began.

THE STORY of the single tax starts in Robinson's bookshop, Adelaide, in 1880. Miss Catherine Helen Spence, a serious-minded woman, purchased the only copy of *Progress and Poverty* on the shelves, read it and was impressed. She was a good freelance journalist, and she reviewed George's book for the prestigious new monthly, the *Victorian Review*. The review appeared in 1881 and immediately triggered a storm of controversy, with pro and con George articles flashing to and fro for the next three years.

Articles on George next appeared in the *South Australian Register* and *South Australian Advertiser*, in the *Victorian Argus* and the *Sydney Morning Herald*. By 1883 the *Sydney Daily Telegraph* was publishing *Progress and Poverty* as a serial, running it for three months twice a week and, in Adelaide, George's friend, William Webster, was writing a regular land reform column. George was news.

We might ask why this was all happening at this time. *Progress and Poverty* helped, as did the general interest in Utopian reform literature, but the basic reason was the failure of Australia's 1860s Settlements Acts to unlock the land. Largely because land had to be sold to the highest and therefore the richest bidder (usually the local squatter), the land had not passed into the hands of hopeful small farmers, and by the 1880s colonial governments were looking at alternatives.

Chief among the alternatives were Alfred Wallace's land nationalisation plan and George's land tax plan, and followers of these two schemes joined together in 1884. They became the Land Nationalisation League (LNL), pledged to demand state ownership of all land plus a land tax on unimproved values, to end monopoly.

South Australia 1880s. The earliest LNL was formed in Kapunda, South Australia, during May 1884. The editor of the local paper, the town's land agent and the barrister Patrick McMahon Glynn (later to be Federal Attorney General), met at a rowdy public meeting and constituted themselves a League on the spot. Within two months the LNL had 200 members.

Branches were opened in Adelaide, Gawler, Angaston, Terowie and Tarlee. Later in the same year, the South Australian government passed the Bray Act, enabling taxation of 1d. in the £1 on value exclusive of improvements. South Australia therefore became the first colony to apply George's tax.

LAND - LOCKED!

Why Australia turned to land value taxation

By Airrie Morral

After this success the LNL rested on its laurels until 1886, when Lewis Berens and Ignatius Singer began the first LNL paper, *Our Commonwealth*. Berens was a jeweller and Singer ran a chemical works, but both were deeply involved in the labour movement. Indeed for a short time in 1887 *Our Commonwealth* was the official trades journal, a link which endured until 1894/5 when Single Taxers and Unionists fell out, both in South Australia and New South Wales.

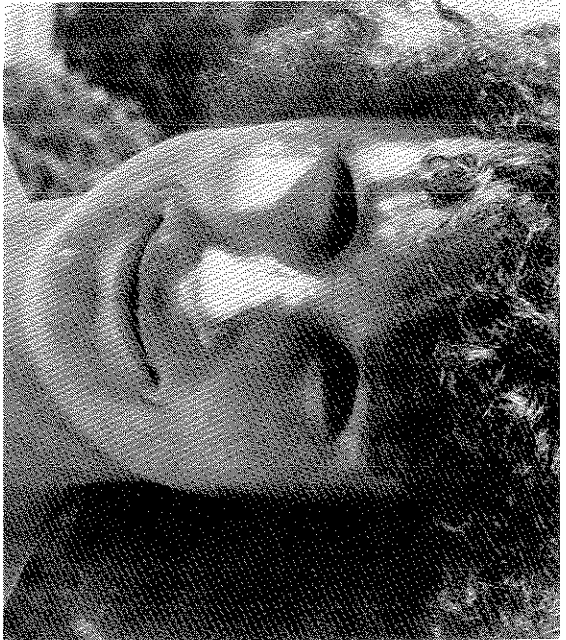
New South Wales, 1880s. While South Australia was the earliest and most enduring Georgeist colony, New South Wales was always the largest in terms of members and branches. This was because NSW had a strict free trade government, as opposed to the mildly protectionist parliament of South Australia, and many single taxers also belonged to its ruling Free Trade Party.

The first organised NSW Georgeists were to be found in NSW. Forbes, like Kapunda, was an old mining town turned to sheep and wheat farming, and was also in an area where squatter vs. selector feeling ran high.

Early in 1883 the town bootmaker, Ignatius Bell, and his friend, William Dickinson, read about George's theories in articles in the *Bulletin* and in the radical U.K. journal, *Reynolds Magazine*. For the next four years they and their friends met as a discussion group, until in 1887 they became the Land Nationalisation Society of New South Wales.

Recruits soon began to flood in. The most important new member was Frank Cotton, who in later years was to become President of the NSW STL, MLA for Newtown and a founding member of the new Labour Party. He was appointed full time travelling lecturer for the single tax, and in no time at all had founded branches in Cowra, Sydney, Goulburn, Young and Gundagai.

Towards the end of 1887 he landed in Lithgow, where he met fellow single taxers, "The Mad Poet" John Farrell and Joe Cook, coal miner, visionary and later P.M. of Australia. In this august company the *Lithgow Enterprise and Australian Land Nationalist* soon appeared and sales to reformers interstate and overseas soared. But local advertisers boycotted this radical weekly, and revenue fell away. Clearly, greener pastures were required, so Farrell and Cotton sold the paper and moved to Sydney in 1889 to join the rising wave of Georgeist fervour which was centred there.



ABOUT THE AUTHOR: Airle Worrall is the 33-year-old executive officer of the Australian Wool Products Export Group in Melbourne. She is a graduate of Monash and Melbourne Universities. Her article is based on the research for her prize-winning Master's degree thesis "The New Crusade: The History of the Single Tax League from its Foundation to 1900".

The shift to Sydney was vital to the careers of both men. Farrell became editor of the *Daily Telegraph* and Cotton embroiled himself in Labour councils and single tax work. That year, the combined Land Nationalisation Leagues of South Australia, Victoria, New South Wales and Queensland met in Sydney to debate their future. In a landslide vote non-Georgists were expelled and the LNL's became Single Tax Leagues. The New Crusade had begun.

The 1980s and the STL. The 80s had been the decade of the LNL's, whose members had been Wallaceites, as well as Georgists, but the STLs of the 1890s were evangelical Georgists to a man.

A sudden rise in branch establishment was experienced in 1890, with 21 new STLs founded, compared with 13 the previous year, and these seem to have coincided with the vastly popular visit to Australia by Henry George himself during March, April and May.

Progress (1889) and the *Beacon*, the longest-running Australian single tax paper (1883-1900), were printed. *Our Commonwealth* (1880-8) was replaced by the *Pioneer* (1890) and *Roughshod*, which was in turn succeeded by the *Voice*. In NSW there was the *Lithgow Enterprise*, the *Australian Standard*, the *Democrat* and the *Single Tax*. Eleven papers in as many years, some surviving far longer than many district or town newspapers.

In addition, Georgists produced thousands of tracts and pamphlets, South Australia and Victoria especially distributing up to 35,000 a year. Every Georgist had to belong to one of the Leagues' activity committees, and through these committees came hundreds of newspaper articles, letters-to-the-editor, lay sermons and petitions. Verbal propaganda was equally extensive. In any month STL members would be speaking at up to 30 city venues, on street corners, vacant lots, in parks and at dozens of evening lectures and debates.

The STLs continued the tradition of the travelling lecturer, and three times a year Max Hirsch, Harry Taylor and John King would depart their cities and head for the bush to speak on the single tax. In Victoria, South Australia and New South Wales their target was the farmer, nominally a free trader because of his interest in wheat exports and machinery imports, but not yet a single taxer.

The incessant travelling eventually caused breakdowns in the health of the lecturers, and the Victoria and South Australia STLs decided to send replacement lecturers abroad in two Red Vans. These vans, modelled on English examples, were painted bright red and emblazoned with slogans, and were fitted out with sleeping and cooking facilities. During 1894 and 1895, they toured all of Victoria and South Australia several times before lack of finance forced the end of the programme.

THE THIRD type of noteworthy activity is possibly the most interesting, for Georgists were Australian leaders in the practice of Utopia. By this I mean that the single taxers of the 1890s set out to practise what their predecessors of the 1880s had only preached, by setting up co-operative communes.

The first of these was William Lane's "New Australia", founded in Paraguay after Labour's defeat in the great strike. Single taxers formed one of the largest groups of the first contingent of settlers in Paraguay; 30 STL members and their families were present. Personality problems with Lane destroyed "New Australia" after a few years, but back home in Australia other Georgists were launching their own co-op, this one at Murtho, in South Australia, near Renmark.

Murtho was the brainchild of a chemist John Birks, the most influential member of the South Australia STL. Birks and his extensive family selected Murtho in 1894, and around fifty people settled there soon after. They farmed, ran dairy cattle and grew citrus fruits and vegetables for their own needs. Land and equipment was held in common and the Murtho council met every evening in the schoolhouse to allot work for the following day. Social life was a feature of the colony, and Murtho had churches, parties, dances, study groups and boating to pass its leisure time.

Murtho did not operate after 1900 as a single tax colony. It had a difficult life, besieged by drought, and met with the same fate as "New Australia". Critics said it failed because it held land jointly, not individually, thereby violating a basic tenet of George's theories.

CONTEMPORARY historians have in general discounted the single tax and its influence, but it is possible that with new evidence as to the identity and activities of Georgists, this opinion will have to be revised.

It is certain that the publicising of George's analysis of land monopoly and his method of land taxation made such taxation the favoured method of unlocking the land.

South Australia introduced land value taxation on unimproved value in 1884, New South Wales in 1895, and Victorian Georgists were only narrowly defeated on a similar bill in the same year. On a municipal level, NSW, SA and Queensland Georgists had fought a running battle from 1889 to ensure that local councils had the option of rating on site values. This campaign bore fruit in Queensland first in 1890 and in South Australia in 1893.

Victorian and New South Wales Georgists kept up the fight into the new century and eventually met with success after 1915.

The final evaluation of the importance of LNLs and STLs rests not only with these legislative successes but with the extent of popular support for George's ideas. With eleven newspapers, 7,000 members one hundred odd branches and a triumphant tour by George to cap everything, the single tax must be accounted one of the more significant movements in nineteenth century Australian history.

Radical, practical and logical — so ignored!

CITY OF LONDON stockbroker Jeffery Roberts has sought to explain why the ideas of American economist Henry George (1839-1897) have been ignored in 20th century policy-making. His analysis is contained in the *Oil & Gas Report* (No. 3, Dec. 1980) published by Rowe & Pimman:

THE AMERICAN political economist Henry George wrote a book: *Progress & Poverty*. It sold a million copies. It was about private property in land. His ideas on the economic questions of land, labour, capital, wealth, interest and rent are developed by reference to the real world with meticulous logic. George not only wrote a work of the highest scholarship, he also knew how to apply his ideas in practice — he came close to being elected Mayor of New York City.

Thanks to his combination of radical thought, impeccable logic and practical understanding, George's ideas have been largely ignored by professional economists.

In particular, his ideas fitted perfectly with the general themes of the free traders, in the endless battle against protection, which after half a century is now recognisably reappearing. Thanks to the extremely low intellectual level of post First War politics, which has until recently mistaken socialism/corporatism for progress, George's



• Henry George

arguments against Marx have been overlooked.

George's central thesis was that private property in land was unlike any other form of property, in that the value of land derives from the activities of others, and scarcely at all from the freeholder himself. Interference with "access to land"

strangles enterprise, and the only way to release land into full economic use was by a tax on land value. This would put a stop to vacant sites held for speculation rather than their "free market" use. Such taxation was to become the only source of State income for those public utilities which could not be provided by uninhibited "free trade". George was opposed to all other forms of taxation — income tax, corporate tax, value added tax — as tending to discourage free enterprise.

George's concepts apply perfectly to oil and gas acreage, though the only hoarder of land is now the State. The value of any offshore block will be enhanced by wells drilled on neighbouring blocks. Similarly, if a discovery on another block leads to a pipeline coming through undrilled acreage, then the value of that acreage must be enhanced by the activities of others.

Where the State achieves control over land, it can

- (i) Withhold land from exploration;
- (ii) Allocate it (a) by auction to the highest bidder, or (b) by discretionary allocation to applicants deemed "suitable" for whatever reason by the State.

In case (i) the public derive no financial gain via the State, for lands supposedly held in the public interest. In case (ii) (a) or (b) royalties and taxes are imposed on any oil or gas discovered, and the monies paid at one end in licence fees are merely adjusted for in later taxation.

In the United States and Canada, there has been a completely free market in exploration land within the control of the States and Provinces. Further, the owners of land enjoy mineral rights below the surface, so that there has been a general coincidence of interest in exploring and developing discoveries. This explains why North America has been so thoroughly explored so far. But the process is now running into the kind of obstacle George sought to destroy — Federal control. Instead of opening North Slope lands east of Prudhoe Bay to the usual processes, the Federal Government has followed the exact course of the land hoarders decried by George: nothing more than a little dabbling exploration by contractors to test the value of Federal lands. Similar comments apply to Federal coal lands, where hoarding is again taking place.

THATCHER UNDER THE INFLUENCE . . .

MARGARET THATCHER has now been Conservative Prime Minister of Britain for two years. In an assessment of her performance, one of her advisers at the Centre for Policy Studies (which was originally established by Mrs Thatcher and Sir Keith Joseph, her present Industry Secretary) said:

"She has palpably failed to do what we told her. She has fallen into the very trap she promised she never would. She has come under the influence of the layabouts and the landowners of the party. Her faith is cracking."

Sunday Times, 3 May, 1981, p.33.

CENTENARY ESSAY NO. 3

Land Rent As Public Revenue in Australia

BY ALLAN R. HUTCHINSON

— a quantitative evaluation of potential exchequer revenue to be derived from land value taxation
Price (includes p & pj): UK — £3.50; US — \$8.50;
Australia — \$7.50; Canada — \$9.



Where are the limits to the public sector?

IN MY REPORT on the Australian debate into how much revenue would be raised by a single tax on land values (*Land & Liberty*, March-April 1981), I noted the following conclusion:

"In essence, then, it is being argued that under a Single Tax regime, public revenue would comprise both *current* tax revenue from all existing sources, *plus* the outstanding economic rent still retained in private hands."

I then went on to suggest that this would cause difficulties to the purist who supported Henry George's philosophy, for "it would also produce an income to support a public sector far larger than that which George deemed appropriate for a liberal economy based on free enterprise, the private ownership of capital and the self-sufficiency and individual decision-making of a libertarian society."

In fact, this view was based on an over-simplified interpretation of George's attitude towards the public sector. He was not totally antagonistic towards the community operating commercial enterprises, in accepting the prospect of an embarrassment of riches, George states unambiguously that, along with the transformation of the role of government would come the *extension* of economic activity in the public sector:

"All this simplification and abrogation of the present functions of government would make possible the assumption of certain other functions which are now pressing for recognition. Government could take upon itself the transmission of messages by telegraph, as well as by mail; of building and operating railroads, as well as of opening and maintaining common roads. With present functions so simplified and reduced, functions such as these could be assumed without danger or strain, and would be under the supervision of public attention, which is now distracted."*

Government would assume more than an administrative character. Within a democratic framework it would seek to promote the common good — by, for example, supporting scientific investigations, rewarding inventors, improving the distribution of energy to consumers, and so on.

If he were alive today, Henry George would probably conclude that the public sector had over-stepped its legitimate bounds. Nonetheless, in criticising current governmental involvement in economic activity, it would be a mistake to cite Henry George as a philosopher who totally disallowed a degree of public sector involvement in such enterprise.

*Henry George, *Progress & Poverty*, New York: Robert Schalkenbach Foundation, centenary edn. 1979, p. 456.

Fred Harrison

COMPUTING THE PLANNED ECONOMY — SOVIET-STYLE

Capitalist Technology for Soviet Survival, Philip Vander Elst, The Institute of Economic Affairs, Research Monograph 35.

MOST OF us know that there are shortages of consumer goods in the Soviet Union and that food production is erratic. In industry and technology, however, the impression is that the Soviet Union is one of the world's super-powers: in arms and in space she is the equal of the United States.

In this pamphlet — full of facts, figures, and quotations — the case is

LETTER TO THE EDITOR 'Land tax would boost costs of food production'

SIR, it is a pity that the graph accompanying your leader (March-April issue) did not include farm incomes. If it had, readers would then have seen that farm incomes and rents rose in line until 1976. Taking 1969 as 100, the index for farm incomes in 1976 was 223 and farm rents 200. Since 1977 farm incomes have declined, and it is the decline in farm incomes which has been the cause of the financial crisis in farming, not the increase in farm rents.

Figures for farm rents do not equate to landlords' income any more than figures for farm output equate to farm income.

The Annual Review of Agriculture White Paper shows that net rent (gross rent less landlords' expenses such as maintenance, insurance and depreciation on buildings) was £55 millions in 1969/70 and £59 millions in 1979 — hardly a massive increase in income for landlords. The fact is that all sectors of the agricultural industry are suffering from cash flow problems and as a result have had to resort to bank borrowing on an unprecedented scale. Borrowing has risen by 70% in the past two years and as a proportion of farm income has trebled to 45%.

Your leader ignores the point that taxes have to be paid with cash and cash is in short supply in agriculture; to suggest additional taxes on land would be to force a greater reliance on high cost capital with a consequent increase in the cost of food production.

W. F. de Sails,
Chief Economics Adviser,
Country Landowners Association,
London.

put that perhaps this aura of Soviet pre-eminence is a myth. What a centrally planned economy can do best is concentrate production on one or two special areas, but what it fails to do is to allocate resources efficiently (for it lacks the signalling system of a free market), or to stimulate innovation (for it lacks personal incentive).

It has been calculated that, at 30,000 operations a second, it would take a million computers several years to plan the whole Soviet economy! It is therefore not surprising that there are many mistakes and rigidities in the Soviet system which have to be mitigated by a thriving black market. Decentralization would ease the problem but is at odds with the central control that political dominance demands.

The author contends that the strides the Soviet Union has made, from a pre-revolutionary base less backward than is commonly supposed, have mainly depended on the importation of ideas and processes from the West, initially through Lenin's 'new economic policy' and American assistance to the first Five Year Plan, then through lend-lease during the second world war, the acquisition of industrial capacity from Germany and other occupied countries, and, after the war, the purchase from the United States and Western Europe of chemical plants, shipping, and high-grade computers. Evidently centrally planned economies can prosper only by drawing on the expertise of market economies.

Mr. Vander Elst draws two conclusions from this. One is that a world of centrally planned economies, or a single centrally planned world system, could not progress but would 'choke on technical inertia'. The other — more controversial — is that the eventual atrophy of the Soviet tyranny can be brought about more effectively not by the expansion of trade but, on the contrary, by a Western embargo on the supply of technology.

This is not work that will set the mind of the reader ablaze, but it will make him question something he has too readily accepted. The Soviet Union may not be as strong and as independent as she seems.

Tony Carter

MARXISM: DEAD DUCKS AND DOGMATISM

THE LATEST textbook in the Longman series "Social Policy in Modern Britain" grandly entitled *Housing and Social Justice* by Gill Burke, senior lecturer in social administration at the Polytechnic of Central London, is almost a paradigm of the Marxian polemic masquerading as a sociological text.

As such it repays investigation, not because it can either provide a valid basic assessment of the social problems of housing, or because it can even provide a coherent policy for social amelioration of housing shortages and deprivation, but because it is an ideal case of the fallacy of attempting to explain modern housing policy and social evils on Marxist grounds. It is a prime example of disguised Marxist dogmatism.

The pervading presence of Marxist thought in this text can be readily described. The method is one basically of linguistic definition and value judgments attributed to chosen words. Thus, be sure that if you see in a text the frequent use of words such as "solidarity", "commodity", "class", "condition", "working-class protest", "collective", "ideologies",

Housing And Social Justice, Gill Burke, No 6 in Social Policy in Modern Britain Series Longman Group, London 228 pages, £4.50.

BY
**HERBERT
MEYER**



"historical development", you are reading a Marxist tract.

Thus it is not surprising that Burke summarizes his view of housing as follows: "The housing situation we have today has been historically determined through changes arising from economic processes."

Nor is it surprising that the very first quotation in the text is from Frederick Engels. Nor is it astonishing that not one quotation is used from Henry George, even though the problem of land-rent is the prime reason behind what housing shortages do exist throughout the world.

Who should be compensated?

LANDOWNERS want to drain 5,800 acres of wetlands on the Norfolk Broads, on England's east coast. This would boost agricultural output and raise the value of land.

The project, originally proposed by the Inland Drainage Board, has been opposed by the Broads Authority because it would destroy a scientifically important wildlife habitat.

But now, in a compromise plan, the Broads Authority has said that it would drop its objections if there were legal guarantees that the 1,100 most beautiful acres were preserved.

To secure the support of landowners, the authority has offered £25,000 "compensation" to owners of the 1,100 acres who agreed to the deal.

Ian Barron writes: Compensation is supposed to make-good the loss incurred by someone. In this case, the owners did not buy the land at a price which capitalised the benefits of drainage; they could not, therefore, be said to have suffered injury if the drainage scheme did not touch their holdings. On the contrary, insofar as the drainage is at public expense, the landowner who benefits should compensate the general taxpayer. This should be effected through an annual tax on the value of the improved land.

Land & Liberty Press offers readers a remarkable opportunity to buy a standard work of reference on the history of the land question in the UK.

LAND, PEOPLE & POLITICS



A History of the Land
Question in the UK,
1878-1952

By Roy Douglas

Published in 1976 by Allison & Busby, and retailing for £9.95, this important book can now be bought from 177 Vauxhall Bridge Road, London, SW1, for the price of £2.20 or US\$5, postage and packing included.

To indicate that there are none so blind as those blinded by ideology, here is a sprinkling of tantalising verbal hints from his own text which Burke totally ignores.

● "Other attempts and alternatives (to the slum) such as the chartist land schemes did not last long."

One questions *why* chartist land schemes do "not last long"?

● "Kindly interest in the tenant's welfare was combined with a strict insistence upon regular payment of rents. Eviction was the consequence of falling into arrears."

One question *why* the "strictness of rent" is more important than welfare?

● "The reader is asked to imagine an estate embracing 6,000 acres which is at present purely agricultural and has been obtained by purchase in the open market at a cost of £40 per acre."

One questions *what* gives a "site value" to agricultural land?

● "The population density of the new city will be from three to six times greater than the idealistic ruinous and inoperative figures recommended by urban authorities still bound with romantic ideology. This new intensification of population density thus becomes the justification for our enterprise; it increases the value of the ground."

To anyone familiar with the theories of Henry George, the verbal hints given in these random quotations are plain. Whether we deal with housing, with the scarcity of jobs, with labour, money, housing accommodation, political economy or social justice; whatever the economic question that may be broached in the modern day, the answer is always capable of being found in the simple statement "go back to the land question!"

Only when the textbooks of the future generations of social engineers, economists and students are imbued with the ideas and natural political economy of Henry George will the vital problems of land, labour, capital and progress be triumphantly solved.

Until that time any welfare, sociological, decoy attempt at achieving "social justice" through well-meaning altruism or through appeal to the "solidarity" of the "working classes" is just a Marxist "duck" and a very dead one at that.

Land Policy in Planning, by Nathaniel Lichfield and Haim Darin-Drabkin, London: George Allen & Unwin, pp. 321, £18.

Is there need for planning in an efficient land market?

THE economic and social significance of land is under-rated by policy-makers. Superficial interest is occasionally expressed, as evidenced by the sorties into (usually ill-fated) legislation. But few politicians attempt to systematise their efforts at defining a rational framework for the operations of the land market.

One of the obstacles to a clear appreciation of the nature and scale of the problem – let alone the definition of solutions – has been the dearth of up-to-date comparative material.

The book by Lichfield and the late Darin-Drabkin is, therefore, an important compendium. It provides a global guide to the full range of policies, from bureaucratic planning to fiscal policy. So, despite its price, it is an essential addition to the library of any serious student of land.

The most valuable section, which was prepared by the late Haim Darin-Drabkin, is the appendix: an international survey of land policy measures, with a useful bibliography.

The book is weakest in its economic analysis. The attempt to be even-handed produces some nebulous conclusions. This can be illustrated by



● **Haim Darin-Drabkin**

the attempt to evaluate the role of speculation on the land market.

We are told that "While there could be some support for the view that land speculation is not entirely anti-social, nonetheless it is most important on occasions for the com-

munity to control excesses which flow from it."

Where do the benefits end, and the "excesses" begin? Well, the authors agree that speculators "clearly have an anti-social role in terms of land prices," but how do we identify the turning point in social acceptability?

There are errors. The British Labour Government's land legislation in 1975 and 1976 was not, "in essence... Henry George's single tax as a curtail-raiser to municipalisation of all development land" (p. 4).

The capture of economic rent for the benefit of the community would not "reduce drastically the incentives to the private sector to take part in development" (p. 159). Providing entrepreneurs receive a rate of return on capital improvements which was comparable to the yields that could be expected from other forms of investment, development would continue and, probably (as the authors note in the case of the Sydney business district), intensify!

The authors also seem to think that an annual tax on land values would lead to the destruction of privately-owned buildings of historic or architectural importance which might otherwise have been retained. Who decides the historic status? If owners sought public recognition that their structures should not be demolished in favour of optimal economic use of the land, and if – through the democratic process – this recognition was forthcoming, preservation orders would be granted which would reduce the market value of the land, and therefore the tax obligations!

Heavy weather is made of the importance of the planning process (insufficient emphasis is placed on the virtues of a freely-functioning market). One suspects that Nat Lichfield (Emeritus Professor of the Economics of Environmental Planning, London University) has a scholarly interest in promoting the art of planning.

This study is long overdue. We hope that the publishers will find it worth their while to commission Lichfield to revise the book for a second edition within the near future to take account of the latest developments in a field of knowledge which is vital to the formulation of sound economic and social policies.

Paul Knight

REAGANOMICS: cont. from P.80

have been there before, in a system not unlike the one proposed by Gilder and supply-siders.

Wealth and Poverty ends where *Progress and Poverty* begins. Henry George's work, more than 100 years ago, began by noting the wonderful advances in productive power that had been unleashed since the industrial revolution. But poverty persisted. The problem of distribution had not been solved. And George showed how the solution lies in an understanding of the laws of distribution. (One might note that the very term "supply-side" suggests an incomplete economic framework.)

Gilder criticises "distribution" as though it only means "redistribution." That is, as if it means that the government takes from some and spreads it around to others. But distribution needs to be understood in terms of fundamental economics: the primary

distribution of wealth – rent to land, wages to labour, interest to capital.

Even the processes of production as envisioned by Gilder could use a dose of fundamental economics. For the idea that we must depend on the rich to get production going is a modern version of the wage-fund theory – the idea that wages are paid by capital. (It must be admitted that this notion is shared by many today, on the Left as well as on the Right.) As Henry George pointed out, labour produces its own wages and needs only access to land, not the gigantic organisation of capital. George Gilder's thesis does represent an improvement on what we have been treated to over the past few decades. But unless we pay some heed to Henry George's message, a supply-side remedy will only land us back again to Square One.

THE "SUPPLY-SIDE" economists seem to be having it their own way these days. The Reagan Administration supports their thesis of lowering taxes to stimulate production. The American public are in a mood to give "Reaganomics" a chance since so many other theories and treatments have not measured up to promises.

Arthur B. Laffer, chief of the supply-siders, is essentially known for his "Laffer curve" which shows that taxation past a certain point adversely affects both production and public revenue. These ideas were promulgated by Jude Wanniski in his book *The Way the World Works* and now George Gilder has issued *Wealth and Poverty** which has become a best-seller, though a controversial one. An organization has been built around the book – the International Center for Economic Policy Studies – and Mr. Gilder is preparing an edition for British readers.

The thesis of *Wealth and Poverty* is that relieving the rich from high taxes would stimulate the economy since they would invest in productive enterprise. The resulting benefits would not only trickle down but pour down to the less affluent and even the poor. Today's tax system, the author contends, prompts the affluent to protect their wealth by putting their money into real estate, oil, art, gold and other hedges against inflation, which do nothing good for the economy.

WHILE conservatives argue in similar fashion, there are significant differences in Gilder's outlook.

He deplores "Looking out for Number One" (a la Robert Ringer) because it seeks to escape from the economy rather than build it up. (The "survivalists", an extreme example of this, are stocking up on guns, food supplies and shelters, against the "coming catastrophe".)

Gilder also criticises Milton Friedman and the monetarists for being incomplete and not looking sufficiently at the productive **Wealth and Poverty*, George Gilder, New York: Basic Books, 1981.



BOB CLANCY writes from NEW YORK

Reaganomics: supply-siders head back to Square One

process. And he is not in favour of getting rich at any cost if it is not accompanied by productive activity. He also chides most conservative theorists for being dull and unattractive in presenting capitalism as the least bad of various systems (a "dirge of triumph"), nothing at all to get excited about.

Gilder wants to paint capitalism in brighter colours. His outlook may be called "neo-Carnegie" in that he considers true capitalism to be a giving system, not just taking. He stresses the creative and generous possibilities rather than the piling up of profits, and considers that the traditional "self-interest" of capitalism just leads to the welfare state.

As for the welfare state, Gilder justifiably criticises its programme and performance. Its attempts to redistribute wealth, he says, have reduced incentives, created stagnation and perpetuated poverty.

George Gilder – and the supply-siders – have critics, of course. The Keynesians – now known as "demand-siders", since their remedies for controlling inflation

and recession concentrate on that aspect – contend that a Laffer-type tax cut would be inflationary. This stems from the anticipation that savings and tax rebates will result in increased spending. The supply-siders answer that the savings and tax rebates will go into production.

The conservatives also criticise supply-side economics for neglecting a balanced budget. This is one of the stumbling blocks of the Reagan programme with Congressional conservatives. Gilder is unconcerned about such things as national debt and even inflation, saying that increased production overtakes it, and he cites historical cases.

And economists of neither school, including Wassily Leontief, are sceptical saying the idea is not tested, that it is a game plan, and that the result might just as well be more tucking of money into real estate and the other hedges.

THERE ARE aspects to George Gilder's thesis which are commendable.

It is noteworthy at this late stage (with a Marxist-type "breakdown" of capitalism long overdue) that a prominent school of thought can actually become enthusiastic about the possibilities of capitalism if given the right chance. And it does seem extraordinary that a reduction of taxes – taking away a little less of what we earn – should be greeted with such consternation.

Perhaps herein lies a key to the matter. The welfare state has grown bit by bit, has become pervasive, and we have become so accustomed to it and dependent on it that we shudder at even a small reduction of it. This, among liberal Congressmen, is another stumbling-block of the Reagan programme.

Gilder's criticisms of the welfare state are to the point, and yet they miss the point. Bad and bureaucratic as it is, it addresses itself to a situation Gilder does not face – people by and large are unwilling to accept insecurity, unemployment, depression, an abandoned old age, exploitation of raw youth and dependence on the whims of private employers. They

Cont. on p. 79